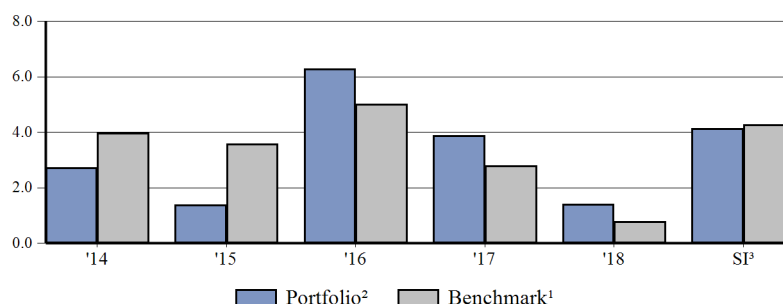


Colchester Global Government Bond Fund – Class A

Monthly Report: June 2018

GROSS PERFORMANCE AS AT END OF JUNE 2018



MARKET COMMENTARY

The FTSE World Government Bond Index delivered a return of 0.2% over the second quarter in US dollar hedged terms. As the US dollar rose against most foreign currencies, on an unhedged basis global bonds delivered -0.3% during June and -3.4% over the second quarter.

Talk of tariffs and trade sanctions continued in June, emanating from the USA. Various measures proposed by the White House in June alone included a 20% tariff on EU car imports, further tariffs on USD200bn worth of Chinese imports (in the event that the Chinese impose their own tariffs on US goods) as well as removing exemptions of the steel and aluminium tariffs for US allies. However, the US economy continues to do well, this prompted the Federal Reserve to raise interest rates by 25bps to a new target range of 1.75% to 2.00%. Whilst US bonds were broadly flat over the quarter, this masks significant volatility as the 10 year treasury bond traded in a range of 2.7% to 3.1%. Negotiations on NAFTA continued without any formal resolutions ahead of the Mexican presidential elections taking place at the beginning of July. Polls ahead of the election have consistently shown the populist Lopez Obrador winning. Despite initial fears of populist policies markets have responded well, ratcheting down the negative rhetoric. Mexican bonds returned 1.0% over the month in US dollar hedged terms and -0.9% for the quarter.

Following the formation of the coalition in Italy between the populist Five Star Movement and the nationalist League earlier this quarter, the new prime minister Giuseppe Conte took a hard-line to recent EU economic and immigration policies. However, the populist fiscal policy overtones have been dampened and this gave Italian bonds a positive month returning 1.7% in US dollar hedged terms, partly reversing some of the weakness earlier in the quarter. Both Germany and Spain also generated political noise over the quarter. Chancellor Angela Merkel faced a brewing domestic political crisis over the handling of refugees which is now threatening the three-month-old coalition government. In Spain, dramatic political change occurred as Prime Minister Rajoy lost a vote of confidence in parliament and handed power to the centre-left Socialist party. Despite the political noise, in their rate setting meeting this month the ECB highlighted the still solid and ongoing broad based economic growth across the Eurozone region. German bonds returned 0.3% for the month and 1.9% on the quarter, whereas Spanish bonds bounced back by 1.6% in June to end the quarter just 0.5% down after weakness earlier in the period.

Turning to Emerging Markets, presidential elections in Malaysia resulted in a surprise outcome with Mohamad Mahathir returning as Prime Minister thus removing the UMNO from power for the first time since independence in 1957. The new government were helped to power by running on an anti-corruption ticket, and since taking power they have been investigating the former Prime Minister Najib Razak. In June the Malaysian bond market returned 0.2%, with the return for the quarter in US dollar hedged terms being -0.7%. The Brazilian bond market was also down over the quarter returning -3.0%. This was driven by the government agreeing to meet striking truckers' demands for a reduction in the diesel price. It is feared that this will further weaken government finances as the reduction in price will be funded by government subsidies.

In currency markets the broad appreciation of the US dollar continued, particularly against the emerging market currencies. With the external environment combining with the presidential elections, the Colombian peso depreciated by 1.4% in June. However, the worst performing currency was the South African rand which fell 7.5% as the new president's honeymoon period comes to an end and the economy slows. The euro and the British pound were relatively resilient over the month, depreciating by 0.1% and 0.7% respectively. The Norwegian krone was the only positive performing currency in the month, appreciating by 0.3% boosted by comments from the central bank suggesting a likely first rate hike in September.

1. The FTSE World Government Bond Index 100% hedged in Australian dollars (AUD), formerly, the Citigroup World Government Bond Index 100% hedged in Australian dollars (AUD).

2. Colchester Global Government Bond Fund – Class A whose inception date was 19 September 2014. Please see further footnotes on following pages for more details.

3. Annualized returns since inception.

Monthly Report: June 2018

Gross Attribution of Total Returns			
	Portfolio ²	Benchmark ¹	Relative Return
Monthly	0.57%	0.37%	0.20%
Bonds	0.30%	0.37%	-0.07%
Currency	0.27%	0.00%	0.27%

Quarterly	-0.05%	0.16%	-0.21%
Bonds	0.10%	0.16%	-0.05%
Currency	-0.15%	0.00%	-0.15%

Top 5 Bond Holdings	
1	US Treasury 2% 31Aug 2021
2	New Zealand Government 5% 15Mar2019
3	New Zealand Government 6% 15May2021
4	US Treasury 5.375% 15Feb2031
5	Japanese Govt 0.1% 20Mar2020

Top Active Currency Positions		
Portfolio Exposure relative to Benchmark		% of Portfolio
<i>Overweights</i>		
1	Malaysia Ringgit	5.9%
2	British Pound	4.3%
3	Mexican Peso	3.8%
<i>Underweights</i>		
1	New Zealand Dollars	-4.5%
2	Australian Dollars	-4.4%
3	Hungarian Forint	-4.0%

Portfolio Characteristics		
	Portfolio ²	Benchmark ¹
Duration	6.18	7.75
Yield	2.94	2.15
Yield to Maturity	2.36	1.49
Average Coupon	3.21	2.45
Average Credit Rating	AA-	AA

MONTHLY PERFORMANCE COMMENTARY

The fund returned 0.57% over the month, outperforming the benchmark which returned 0.37%. Bond selection detracted -0.07% from relative returns, while currency selection added 0.27%. The two bond detractors from relative returns were the underweight position in European nominal bonds and the overweight position in Brazilian inflation-linked bonds. The top three positive currency contributors to relative returns were the long positions in Mexican Peso, British Pound and Malaysia Ringgit.

QUARTERLY PERFORMANCE COMMENTARY

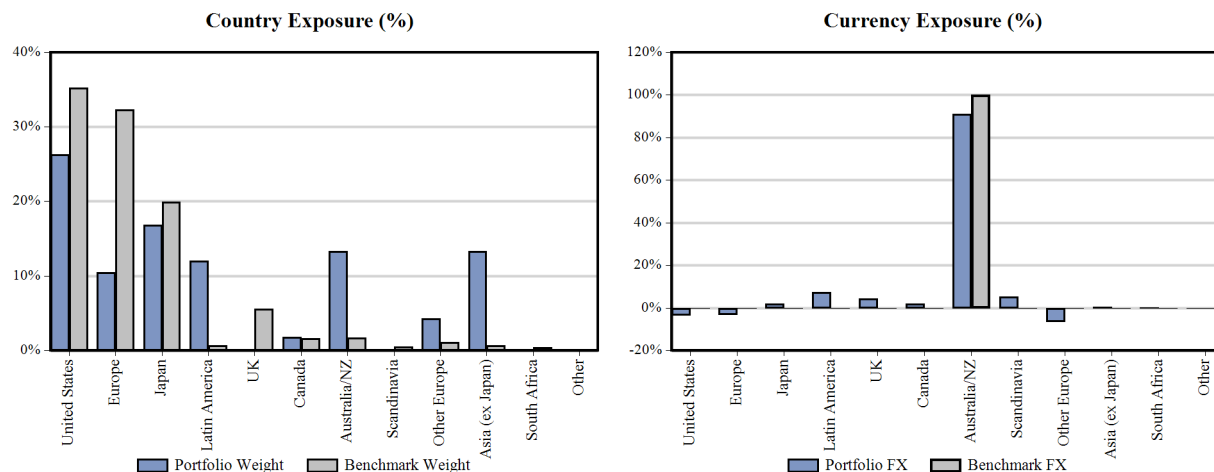
The fund returned -0.05% over the quarter, underperforming the benchmark which returned 0.16%. Bond selection detracted -0.05% from relative returns and currency selection detracted -0.15%. The top three bond detractors from relative returns were the overweight positions in Brazilian inflation-linked bonds, Mexican nominal bonds and Brazilian nominal bonds. The top three currency detractors from relative returns were the long positions in Mexican Peso, Swedish Krona and British Pound.

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June 2018

Monthly Report: June 2018

MONTH END POSITIONING



PERFORMANCE SINCE INCEPTION

Portfolio	2014	2015	2016	2017	2018	SI ²³
Gross Returns	2.73%	1.38%	6.30%	3.88%	1.42%	4.15%
Benchmark ¹	3.99%	3.59%	5.02%	2.79%	0.79%	4.29%
Relative Gross	-1.25%	-2.22%	1.27%	1.09%	0.62%	-0.14%

YTD Returns	Q1:18	Apr	May	Jun	Q2:18	YTD
Gross Returns	1.47%	-0.32%	-0.30%	0.57%	-0.05%	1.42%
Benchmark ¹	0.64%	-0.41%	0.20%	0.37%	0.16%	0.79%
Relative Gross	0.83%	0.09%	-0.50%	0.20%	-0.21%	0.62%

- Valuation and returns have been calculated in AUD as at month end. The WM-Reuters exchange rate used by the index provider in compiling their index is the predominant exchange rate used in valuing the Portfolio.
- Past performance is no guarantee of future performance and the value of any investment may fall as well as rise. This information is provided for indicative purposes only, and is supplied in good faith based on sources which we believe, but do not guarantee, to be accurate or complete as of the date of this document. Such information is current as of the date of this document and may be subject to change without notice. This document is not to be used or considered as an offer to sell or solicitation of an offer to buy any securities. Nothing in this document should be construed as providing any type of investment, tax or other advice. A full performance presentation in compliance with the Global Investment Performance Standards (GIPS®) is available upon request. Additional information regarding policies and procedures for calculating and reporting returns is also available on request.
- The portfolio's guidelines are set out in PDS of the fund. Investment management fees are described in PDS of the fund.
- The gross performance record presented above does not reflect the deduction of management and custody fees, which will reduce overall client returns. As an example of the impact of investment management fees on the net return to investors: the value of a \$10 million investment at inception of 19 September 2014 on which the highest 60 basis points was payable, would be worth \$11.663 million gross of investment management fees and \$11.370 million net of fees as at the end of June 2018. The basis for calculating this example is to start with an investment amount, apply the monthly gross performance to the previous computed month end value, and deduct the highest fees payable (60.0 basis points) to compute the new month end value net of fees. Investment management fees are described in the current prospectus.
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